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Elaine Cereghini

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# LETTERS TO THE WOMAN CPA

ELAINE CEREGHINI, CPA, Special Editor  
Touche, Ross, Bailey & Smart  
New York, New York

## WHOLESALE INFLATION OF BALANCE SHEETS?

I found the article "Reporting of Leases" by Eileen Corcoran very interesting. Naturally, the requirement of purchase accounting for non-cancellable leases between unrelated parties is a big step forward in resolving the doubts and questions of auditors of the lessees.

However, since in most instances the lessor will not treat the non-cancellable lease as a sale until the option is actually exercised, (if the lease contains such an option) we may

be involved in a wholesale inflation of balance sheets. This will occur if the same assets appear on the balance sheets of both the lessor and the lessee and there is no appropriate disclosure on the statements of the lessee of property merely treated as having been purchased segregated from fixed assets acquired in the ordinary course of business.

It will be interesting to see what conclusion is reached in Opinion No. 7 relating to the lessor's disclosure on its balance sheet.

Barbara I. Rausch, CPA  
Grove City, Ohio

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## SYSTEMS SERVICES

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level. One of the CPAs interviewed stated frankly that he expected his office's systems billings would double in the next five years. Another reported that almost every new client was a systems job.

Wholesale and retail firms and manufacturing companies had been important systems clients in the past. These types of businesses were expected to contribute a great deal to the future growth of systems work anticipated by the public accountants. Many of the CPAs, especially those representing medium to large offices, expected an increase in one or more other types of systems clients: construction, transportation and communication, public utilities, banking-finance-insurance, institutions, and professional or service.

Budgeting and factory or cost accounting were expected to be the functional areas in which the greatest increases in systems work would be registered. Small offices of CPAs expected timekeeping and payroll to become more important, while the larger accounting concerns planned on a relatively greater number of engagements involving inventory control.

### Feelings of CPAs Regarding Systems Practice

Among the 160 firms surveyed, 126 believed that CPAs should provide more services in the systems area. Suggestions offered included: determine clients' needs and inform them of systems importance, become more knowledgeable about data processing equipment and its usage, educate themselves, "sell" systems work to the public, and devote attention to the small business firm. In accomplishing these

objectives, however, the accountants were concerned about a lack of qualified personnel to provide the many, complex systems requested and needed by businesses. The accountants believed that improved services in the systems area might also be hampered by such factors as: lack of time, the attitude of clients toward fees, ethical constraints, and the interests and desires of certified public accountants themselves.

Those who felt that public accounting firms should *not* do more in the systems area most often cited the specialized nature of much of the work as a restrictive factor.

Hesitation did not exist, however, when the accountants were questioned about whether a "CPA should make it a point to call the client's attention to areas where systems could or should be improved". Among the 160 respondents, only one, a sole practitioner, said "no". Three did not answer the question, and the remaining 156 replied "yes". Of particular interest is the fact that of the fifteen respondents who indicated that their offices had experienced no demand for systems work, thirteen of them felt that the CPA should point out systems deficiencies to management. It would appear that these CPAs *were* providing some systems advice without recognizing it as such.

Accounting firms can offer present clients an intimate knowledge of their businesses, invaluable in systems work and not usually possessed by other consultants. Though many uncertainties still exist in the provision of systems services, such problems must be resolved in the light of the specific, anticipated demands for various services, the personnel who are available or can be procured, and the staff development which can be undertaken.